Supreme Court, U.S.
FILED

93 2060 JUN 20 1994

OFFICE OF THE CLERK

No.

In the
THE SUPREME COURT
OF THE UNITED STATES
October 1993 Term

TERRY PHILIPS,

Petitioner,

v.

JOHN W. VON HOLDT

and

PLAS TOOL CO.,

Respondents.

Petition for Writ of Certiorari to the
United States Court of Appeals for the Federal Circuit

PETITION FOR WRIT OF CERTIORARI

Stephen A. Hill
Counsel for Petitioner
Rankin, Hudak & Hill
625 Huntington Building
Cleveland, Ohio 44115
(216) 566-9700

OFFICE OF THE CLERK

93 2060 JUN 20 1994

Supreme Court, U.S.
FILED

QUESTIONS PRESENTED FOR REVIEW

1. Should the Court of Appeals consider the doctrine of plain error when unchallenged jury instructions are so contrary to law as to be manifestly unjust?

2. Is there a conflict in the decisions of the circuits regarding the consideration and application of the plain error doctrine?

PARTIES TO
THE APPELLANT COURT PROCEEDING

The following is a listing of all parties to the proceeding in the Court of Appeals for the Federal Circuit, which is the court whose judgment is sought to be reviewed by this petition:

John W. von Holdt
Plas-Tool Co.
Terry Philips
Philips Industries Limited Partnership, d.b.a. Philips Container Company.

TABLE OF CONTENTS

Questions Presented for Review i

Parties to the Appellant Court Proceeding ii

Table of Contents iii

Table of Authorities iv

Statement of Grounds on Which Jurisdiction of this Court Is Invoked 1

Constitutional Provisions, Treaties, Statutes, Ordinances and Regulations Involved in the Case 2

Statement of the Case 3

Argument 10

Appendix 12

Decision on Summary Judgment 12

Decision on Reconsideration 22

Judgment of the Court of Appeals 28

TABLE OF AUTHORITIES

Cases

American Hoist & Derrick Co. v. Sowa & Sons, Inc.,
725 F.2d 1350 (Fed. Cir. 1984) 11

Biodex Corp. v. Loredan Biomedical, Inc.,
946 F.2d 850 (Fed. Cir. 1991) 10

City of Newport v. Fact Concerts, Inc.,
453 U.S. 247, 101 S. Ct. 2748, 69 L. Ed. 2d
616 (1981) 10

Cohen v. Franchard Corp.,
478 F.2d 115 (2d Cir. 1973),
cert. denied, 414 U.S. 857, 94 S.Ct. 161,
38 L. Ed.2d 106 (1973) 10

Colburn v. Bunge Towing, Inc.,
883 F.2d 373 (5th Cir. 1989) 10

Hansen v. Alpine Valley Ski Area, Inc.,
718 F.2d 1075 (Fed. Cir. 1983) 5

Malta v. Schulmerich Carillons, Inc.,
952 F.2d 1320 (Fed. Cir. 1991) 10

O'Brien v. Willys Motors, Inc.,
385 F.2d 163 (6th Cir. 1967) 10

Stickle v. Heublein, Inc.,
716 F2d 1550 (Fed. Cir. 1983) 4

Statutes

28 U.S.C. § 1254(1) 1
28 U.S.C. § 284 2

Rules

Rule 50, Federal Rules of Civil Procedure 8
Rule 59, Federal Rules of Civil Procedure 8

STATEMENT OF GROUNDS ON WHICH JURISDICTION OF THIS COURT IS INVOKED

The date of entry of the judgment or decree sought to be reviewed is March 23, 1994.

The was no request for rehearing or for an order requesting an extension of time within which to file the petition for a writ of certiorari.

The statutory provision believed to confer on this Court jurisdiction to review the judgment in question by writ of certiorari is 28 U.S.C. § 1254(1).

CONSTITUTIONAL PROVISIONS, TREATIES, STATUTES, ORDINANCES AND REGULATIONS INVOLVED IN THE CASE

28 U.S.C. § 284, provides:

Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.

When the damages are not found by a jury, the court shall assess them. In either event the court may increase the damages up to three times the amount found or assessed.

STATEMENT OF THE CASE

This petition involves a patent infringement action in which Philips Industries Limited Partnership, d.b.a. Philips Container Company, and Terry Philips were found to have infringed U.S. Patent No. 4,648,834 ("the '834 patent"), which issued to John W. von Holdt. Defendant Philips Industries Limited Partnership ("Philips Container") is a limited partnership doing business as Philips Container Company. Petitioner Terry Philips, who was also a defendant below, owns a company which is one of the several limited partners and has an approximate 20% interest in this partnership. Petitioner Terry Philips formerly was employed as president of Philips Container, but his employment by Philips Container ceased in June 1991. Philips Container is in the business of manufacturing plastic buckets and lids by plastic injection molding.

Respondent John W. von Holdt is the inventor and owner of the '834 patent and was a plaintiff below. His company Respondent Plas-Tool Company, also a plaintiff below, specializes in making molds for the manufacture of plastic buckets and lids. Respondent von Holdt owns in excess of 50% of Respondent Plas-Tool. The '834 patent is licensed by Respondent von Holdt to Respondent Plas-Tool. Plas-Tool is not a manufacturer of plastic buckets.

The complaint alleged infringement of the '834 patent through the manufacture of molds by Wentworth Mould & Die Co., Ltd. and through the use of 14 molds purchased from Wentworth and others by Philips Container. The complaint further alleged that Petitioner Terry Philips had both infringed and induced the infringement. Plas-Tool sought monetary damages, including enhanced damages for willful infringement and prejudgment interest.

In November 1991, defendants (including Petitioner) moved the district court for partial summary judgment on the issue of measure of damages. On June 25, 1992, shortly before trial, the district court granted this motion, holding:

> [A] determination of a use royalty in the absence of any evidence of past practices or industry custom in this area that support such a royalty would be based primarily upon speculation and conjecture.
>
> . . .
>
> The court finds that a use royalty based on the number of items produced by the alleged patent-infringing molds is not an appropriate measure of damages under the undisputed facts of this case, and therefore grants summary judgment on this aspect of plaintiffs' claim for damages in favor of defendants Philips.

In the order, the district court also held:

> Ultimately, however, resort to a reasonable royalty analysis is inappropriate in the present case, as plaintiffs acknowledge that they can present evidence of actual lost profits. As established earlier, there is no need to engage in such analysis where actual damages can be determined.
>
> . . . As actual damages appear to be readily determinable in the present case, such constitute the appropriate measure of damages.

In granting defendants' motion for partial summary judgment, district court's order relied primarily upon *Stickle v. Heublein, Inc.*, 716 F.2d 1550, 1561 (Fed. Cir. 1983). The order is reproduced in the Appendix on pages 12-21.

Respondents-Plaintiffs moved for reconsideration and clarification of the partial summary judgment. The district court denied the motion, stating:

> In reviewing plaintiffs' request, the court believes it advisable to abide by its prior ruling: that a reasonable royalty analysis is unnecessary and inappropriate in the present case, since actual damages in the form of lost profits are ascertainable. Plaintiffs present no facts or argument to challenge this ruling; therefore, the motion for reconsideration is denied.
>
> In their motion for clarification, plaintiffs state that they "would like to pursue damages as a running time-based reasonable royalty based upon costs savings to the user of the invention", and ask whether the court's prior order precludes them from so doing. It must be repeated that a reasonable royalty analysis is inappropriate in the present case. . . . [T]he court finds that plaintiffs may not pursue cost savings as a measure of damages in the present case.

The district court relied upon *Hansen v. Alpine Valley Ski Area, Inc.*, 718 F.2d 1075, 1080, (Fed. Cir. 1983) in denying the motion for reconsideration and clarification. The order is reproduced in the Appendix on pages 22-23.

Trial was then had to an eight-member jury in July 1992. At trial plaintiffs presented evidence to support various theories of damages, including evidence of cost savings to the user of the invention, This evidence was not objected to.

Von Holdt had earlier sold molds to Philips Container which at trial von Holdt and Plas-Tool sought to prove were covered by the patent and copied by Philips and Wentworth as part of the infringement. These molds had been sold outright by von Holdt to Philips Container at a cost of

approximately $50,000 each. Thus 14 molds could be purchased at a cost on the order of $700,000.

Von Holdt's lost profits could have been easily determined, because von Holdt has had previous dealings with Philips involving molds quite similar to those alleged to have infringed the patent. Testimony was presented by plaintiffs that plaintiff's profits for the sale of 14 molds would have been about $430,000, or 61% based upon a purchase price of $700,000.

Following trial, the district court instructed the jury as follows:

> You must consider all of this evidence in your determination [of applicable reasonable royalty] including the following: First, any royalty action to be received by the plaintiffs for previous licensing of the patent. Two, any royalties paid by Philips Container Company or any third parties for the user of other patents comparable to the von Holdt patent, and the nature of any such licenses as exclusive or non-exclusive . . .
>
> . . .
>
> If you find that a reasonable royalty is the appropriate measure of damages in this case, then you are bound to follow a ruling which the court made in this case before the trial began. In particular, if you find that a reasonable royalty is the appropriate measure of damages in this case, the court has ruled the appropriate measure of that reasonable royalty must be based upon a single lump-sum payment.

The jury was not provided with a copy of the "ruling which the court made in this case before the trial began," nor were they provided with a further explanation of the substance of that ruling. Excerpts containing all of the jury instructions

relating to reasonable royalties are contained in the Appendix on pages 24-28.

The district court had already determined in the order granting summary judgment that the only evidence plaintiffs had of prior licensing arrangements was "past negotiated use royalties in other, entirely unrelated transactions" and that a use royalty in this case, based on those past practices, would be primarily speculation and conjecture. Failing to instruct the jury that von Holdt's past license evidence should not be considered, while at the same time instructing that these previous licenses *must* be considered, was plain error because it was contrary to the law of the case, and it substantially prejudiced the defendants.

Defendants (including Petitioner), who had been granted their motion for partial summary judgment, did not object to these jury instructions.

The jury found for the plaintiffs, answering "interrogatories" labeled as a "special verdict." The answers to the interrogatories included findings that the '834 patent was infringed, both literally and by equivalents, that the patent was valid and enforceable, that "Mr. Philips and/or Philips Container" infringed willfully, that Mr. Philips should be personally liable for infringement, and that damages should be awarded in the amount of $7,140,000.

The parties appear to be in agreement that the jury used a use-based royalty scheme in order to arrive at the amount of damages. The damage award can be calculated based upon 17 years × 14 molds × $0.04/bucket × 750,000 buckets/year/mold = $7,140,000, which is the exact amount of damages awarded by the jury. The term of a patent is 17 years. There were 14 molds accused of infringing the patent in suit. Plaintiffs presented evidence in support of 4¢ per bucket as a possible use royalty (despite the partial summary judgment order against such a royalty). Plaintiffs further

presented evidence leading, by another straightforward calculation, to the conclusion that these molds were capable of producing 750,000 buckets per year. This evidence was not objected to.

The Philips defendants moved under Rule 50 of the Federal Rules of Civil Procedure at the close of the plaintiff's case in chief, at the close of all the evidence, and following return of the jury's verdict, for judgment as a matter of law that the accused molds did not infringe the '834 patent. In the post-verdict renewal, the defendants moved in the alternative under Rule 59 of the Federal Rules of Civil Procedure for a new trial on the issues of infringement, willfulness, personal liability of Mr. Philips, and damages. The basis for the motion for a new trial was that the jury's verdicts on these issues were against the clear weight of the evidence presented at trial, and that a new trial on each of these issues was required to prevent a miscarriage of justice. A further basis is that the jury disregarded the district court's instructions on these issues, since the jury verdicts are in each case either contrary to the district court's instructions and statements of law or obviously based on an erroneous construction of the claims of the '834 patent.

The district court denied both motions in an order entered on November 2, 1992. The district court ruled that plaintiffs were entitled to enhanced damages, but withheld determination of the amount, pending appeal. No injunction was requested or issued by the district court. Defendants filed a notice of appeal to the Court of Appeals for the Federal Circuit on November 25, 1992.

In the Court of Appeals for the Federal Circuit Petitioner argued *inter alia* that the jury's verdict was inconsistent with the order granting partial summary judgment, that this rises to the level of plain error, and the fact that Philips failed to object to these instructions is immaterial, since the damages

awarded by the jury in this case amount to a miscarriage of justice and should be reversed. At oral argument, the panel of the Court of Appeals indicated that the jury verdict followed the instructions given to the jury and noted that Petitioner had not objected to the jury instructions. The judgment of the district court was affirmed, and the appellate court entered judgment without opinion. The judgment is reproduced on pages 28-29 of the Appendix.

ARGUMENT

The jury instructions were clearly improper and inconsistent with the district court's order on partial summary judgment. The instructions were not, however objected to by Petitioner or by the other defendant at trial.

The courts of appeals have developed a "plain error" doctrine to deal with certain unchallenged jury instructions so contrary to law as to be manifestly unjust. The plain error doctrine is applied to the exceptional case where the error has seriously affected the fairness, integrity, or public reputation of judicial proceedings. *City of Newport v. Fact Concerts, Inc.*, 453 U.S. 247, 101 S. Ct. 2748, 69 L. Ed. 2d 616 (1981) (BRENNAN, J., dissenting).

Thus, even absent an objection to an improper jury instruction, a court of appeals should be able to reverse for plain error. The "plain error" doctrine is found in case law of at least most of the circuits. *E.g., Colburn v. Bunge Towing, Inc.*, 883 F.2d 373, 377 (5th Cir. 1989); *Cohen v. Franchard Corp.*, 478 F.2d 115, 124 (2d Cir. 1973), *cert. denied*, 414 U.S. 857, 94 S.Ct. 161, 38 L. Ed.2d 106 (1973); *O'Brien v. Willys Motors, Inc.*, 385 F.2d 163, 166 (6th Cir. 1967) (failure to instruct on law regarding burden of proof, an essential part of the case, constituted reviewable error, notwithstanding failure to object.). Petitioner, however, has not found any case by the Court of Appeals for the Federal Circuit in which the court has applied the plain error doctrine, and it must be assumed that the Federal Circuit refuses to follow this doctrine. *See Malta v. Schulmerich Carillons, Inc.*, 952 F.2d 1320, 1342 (Fed. Cir. 1991), in which the "plain error doctrine is at least acknowledged in a dissenting opinion. In *Biodex Corp. v. Loredan Biomedical, Inc.*,946 F.2d 850, 854 (Fed. Cir. 1991), the Federal Circuit admitted that "the law is uniform

in all circuits that review is limited to plain error," but did not apply the doctrine. *See also American Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1364 (Fed. Cir. 1984).

In accordance with the doctrine of plain error, the court of appeals has the power to vacate the damage award and remand the case for a new trial on damages, if the failure to give proper jury instructions could have had a considerable effect on the amount of the jury verdict. In this case, the district court had correctly ruled before trial began that a use-based royalty was too speculative and inappropriate. The district court had further entered summary judgment that damages based upon a reasonable royalty were improper and that only damages based upon lost profits could be recovered. Having determined this as a matter of the law of the case, the district court's instruction to the jury concerning the reasonable royalty which would be applicable to this case was plain error.

The decision of the Court of Appeals for the Federal Circuit in this case to refuse to consider the doctrine of plain error, coupled with the Federal Circuit's history of failure to apply the doctrine of plain error is in conflict with the decisions of other courts of appeal which apply the doctrine of plain error. This Court should grant review on writ of certiorari on this basis under Rule 10.1(a) of the Rules of the Court.

Furthermore, the consistent failure of the Court of Appeals for the Federal Circuit to consider reversal for plain error departs from the accepted and usual course of judicial proceedings and calls for an exercise of this Court's power of supervision, and provides grounds for review on certiorari under Rule 10.1(a).

APPENDIX

THE DECISION ON SUMMARY JUDGMENT
Filed June 25, 1992

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF OHIO
EASTERN DIVISION

JOHN V. VON HOLDT, et al.)	CASE NO. 89-CV-1209
)	
Plaintiff)	Judge Sam H. Bell
)	
- vs -)	
)	*ORDER*
WENTWORTH MOULD &)	
DIE CO., LTD. ,et al.)	
)	
Defendant)	

Presently before the court in the above captioned patent infringement action is a motion by defendants Terry Philips and Philips Industries Limited Partnership dba Philips Container Company (Philips, collectively), for partial summary judgement on one of plaintiffs' alternative claims for damages. Plaintiffs filed a response in opposition, asking that summary judgment be granted instead in their favor on the issue of whether, under the undisputed facts of this case, an assessment of damages may be made on the basis of a "use royalty" on each plastic pail made by defendants through use of the alleged patent-infringing molds.

In a prior determination, the court denied defendants' motion for summary judgment on the issue of liability for

patent infringement. While a genuine, triable issue of fact remains as to defendants' liability, the parties nevertheless seek to narrow and clarify the issue of the appropriate measure of damages prior to trial.

STANDARD OF REVIEW

In reviewing a motion for summary judgment, a court must consider the pleadings, related documents, evidence, and all reasonable inferences in a manner most favorable to the non-moving party. *Adickes v. S.H. Kress & Co.*, 398 U.S. 114, 90 S.Ct. 1598, 26 L.Ed.2d 152 (1970); *Smith v. Hudson*, 600 F.2d 60 (6th Cir. 1979). Rule 56 provides, in relevant part, as follows:

> (c) . . .
> The judgment sought shall be rendered forthwith if the pleadings, depositions, answers to interrogatories, and admissions on file, together with affidavits, if any, show that there is no genuine issue as to any material fact and that the moving -party is entitled to judgment as a matter of law.
> . . .
> (e) . . .
> When a motion for summary judgment is made and supported as provided in this rule, an adverse party may not rest upon the mere allegations or denials of the adverse party's pleading, but the adverse party's response, by affidavits or as otherwise provided in this rule, must set forth specific facts showing that there is a genuine issue for trial.

Three Supreme Court cases have provided guidance as to the nature of the respective burdens allocated under Rule 56. *See Celotex Corp. v. Catrett*, 477 U.S. 317, 106 S.Ct. 2548, 91 L.Ed.2d 265 (1986); *Anderson v. Liberty Lobby, Inc.*, 477

U.S. 242, 106 S.Ct. 2502, 91 L.Ed.2d 202 (1986); *Matsushita Electric Industrial Co., Ltd., v. Zenith Radio Corp.*, 475 U.S. 574, 106 S.Ct. 1348, 89 L.Ed.2d 538 (1986). The ultimate burden lies with the non-moving party to show the existence of a genuine issue of material fact. "When the moving party has carried its burden under Rule 56(c), its opponent must do more than simply show that there is some metaphysical doubt as the material facts . . . In the language of the Rule, the non-moving party must come forward with 'specific facts showing that there is a *genuine issue for trial.*' Fed. Rule Civ. Proc. 56(e)." *Matsushita*, 475 U.S. at 586-587 (emphasis supplied). "In our view, the plain language of Rule 56(c) mandates the entry of summary judgment, after adequate time for discovery and upon motion, against a party who fails to make a showing sufficient to establish the existence of an element essential to that party's case, and on which that party will bear the burden of proof at trial." *Celotex*, 477 U.S. at 322. The court in *Anderson* held that "the plaintiff must present affirmative evidence in order to defeat a properly supported motion for summary judgment. This is true even where the evidence is likely to be within the possession of the defendant, as long as the plaintiff had had a full opportunity to conduct discovery." *Anderson*, 477 U.S. at 257.

On the other hand, the moving party's burden under Rule 56 is lighter.

> Of course, a party seeking summary judgment always bears the initial responsibility of informing the district court of the basis for its motion and identifying those portions of the "pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any," which it believes demonstrate the absence of a genuine issue of material fact. But unlike the Court of Appeals, we find no express or

> implied requirement in Rule 56 that the moving party support its motion with affidavits or other similar materials *negating* the opponent's claim. On the contrary, Rule 56(c) . . . suggests the absence of such a requirement.

Celotex, supra, at 323 (emphasis supplied).

The Sixth Circuit Court of Appeals, in *Street v. J.C. Bradford and Co.*, 886 F.2d 1472 (6th Cir. 1989) recently reviewed court decisions and commentary regarding the impact of *Anderson*, *Celotex*, and *Matsushita* on summary judgment practice. The court concluded that a "new era" in summary judgment practice has opened in the court system as a result of these opinions.

> Scholars and courts are in agreement that a "new era" in summary judgments dawned by virtue of the Court's opinions in these cases . . . On the whole, these decisions reflect a salutary return to the original purpose of summary judgments. Over the years, decisions requiring denial of summary judgment if there was even a suggestion of an issue of fact and tended to emasculate summary judgment as an effective procedural device.

Street, supra, at 1476.

The court enunciated the following "new era" principles, among others: as on federal directed verdict motions, the "scintilla" rule applies, *i.e.*, the respondent must adduce more than a scintilla of evidence to overcome the motion; the respondent cannot rely on the hope that the trier of fact will disbelieve the movant's denial of the disputed fact, but must "present affirmative evidence in order to defeat a properly supported motion for summary judgment"; the trial court no longer has the duty to search the entire record to establish

that it is bereft of a genuine issue of material fact. *Id.* at 1479-1480 (footnotes and citations omitted).

DAMAGES

The award of damages in a patent infringement action is governed by 35 U.S.C. 284:

> Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.

There are two methods by which damages may be calculated under this statute:

> . . . If the record permits the determination of actual damages, namely, the profits the patentee lost from the infringement, that determination accurately measures the patentee's loss. If actual damages cannot be ascertained, then a reasonable royalty must be determined. *Panduit Corp. v. Stahlin Bros. Fibre Works*, 575 F.2d 1152, 1157, 197 USPQ 726, 736 (6th Cir. 1978).
>
> The reasonable royalty may be based upon an established royalty, if there is one, or if not upon a hypothetical royalty resulting from arm's length negotiations between a willing licensor and a willing licensee. . . .

Hansen v. Alpine Valley Ski Area, Inc., 718 F.2d 1075 (Fed. Cir. 1983). Resort to the legal fiction of a hypothetical negotiation between a willing licensor and a willing licensee to arrive at a hypothetical reasonable royalty is to be had only where actual damages in the form of lost profits are not

provable or susceptible of determination. See *Id.*; *Trell v. Marlee Electronics Corp.*, 912 F.2d 1443 (Fed. Cir. 1990); *Stickle v. Heublein Inc.*, 716 F.2d 1550 (Fed. Cir. 1983); *Panduit Corp. v. Stahlin Bros. Fibre Works, Inc.*, 575 F.2d 1152 (6th Cir. 1978); *Foster v. American Machine & Foundry Co.*, 492 F.2d 1317 (2d Cir. 1974), cert. denied 419 U.S. 833 (1974).

FACTS

For purposes of the present motion, the court will assume that the issue of defendants' liability for patent infringement has been decided in plaintiffs' favor. In this light, the facts relevant to the present motion are as follow.

Plaintiff John von Holdt is the holder of United States Patent No. 4,648,834 for a plastic injection mold with two stripper rings for the production of plastic pails. The pails produced by these molds are not patented items. In about September 1986, Philips purchased two such molds from co-plaintiff Plas-Tool Co. While Plas-Tool had a nonexclusive license to manufacture and sell von Holdt's molds, it was not in the business of manufacturing pails from those molds.

Philips allowed co-defendant Wentworth Mould & Die Co., Ltd., to examine the von Holdt mold. Subsequently, instead of purchasing more molds from Plas-Tool as the need arose, Philips contracted with Wentworth and another manufacturer, Husky Injection Mold Systems, to manufacture and sell to them a total of fourteen von Holdt-type molds in violation of plaintiffs' patent rights.

The two molds originally purchased from plaintiffs were obtained outright by Philips, i.e., with no provision for a use royalty to be paid based on the number of pails produced through use of the molds. While most of plaintiffs' contracts for *lease* of the molds involved such use royalties, plaintiffs

acknowledge that their usual practice with purchasers of the molds was to not acquire a use royalty.

ANALYSIS

Plaintiffs content that, because the infringement in this case involved the unauthorized manufacture of patented molds, and since plaintiffs have never before granted a license to another manufacturer to produce its patented molds, an assessment of damages must involve a determination of a reasonable royalty based upon a hypothetical negotiation between a willing licensor and a willing licensee for a license to manufacture and sell its patented molds. Such a negotiation, they content, would entail the determination of a use royalty based on the output of the subsequent user of the molds. Defendants content that a use royalty is unreasonable and unjustifiable under the present facts, even if it were necessary to undertake a determination of a hypothetical reasonable royalty, and cite in support *Stickle v. Heublein, Inc.*, 716 F.2d 1550 (Fed. Cir. 1983).

The court finds that the present facts are closely parallel to those in *Stickle*, and that the disposition of the present motion is therefore appropriately guided by that case. In *Stickle*, the Federal Circuit reversed a district court's award of damages based on a use royalty where: 1) the defendant was the purchaser and user of an infringing taco-frying machine; 2) the patent holder was in the business of manufacturing and selling patented fryers, not the unpatented tacos produced by the fryers; 3) infringement was through the manufacture and sale of modified fryers which incorporated the plaintiff's patented fryer; and, of particular significance to the court, 4) no prior dealings of the parties nor any industry custom supported a determination of a use royalty on the number of tacos produced by the infringing machines as a reasonable payment for use of the fryers.

In the present case, plaintiffs acknowledge that they have never in the past granted a license to another party to manufacture and sell their patented molds. Furthermore, there is no evidence offered of any custom in the industry regarding such transactions. Thus, plaintiffs are effectively reduced to a bald assertion that it would not be unreasonable for the trier of fact to determine that use royalties would be agreed upon in such a hypothetical negotiation, based upon the fact that plaintiffs have in the past negotiated use royalties in other, entirely unrelated transactions, and upon their claim that they would have required such consideration in this context.

The court finds otherwise, as a determination of a use royalty in the absence of any evidence of past practices or industry custom in this area that support such a royalty would be based primarily upon speculation and conjecture. Furthermore, a use royalty assessed on the ultimate user's output has no apparent, reasonable bearing on a negotiation between a licensor and a potential manufacturer of the molds. Certainly, the manufacturer would not be in a position to agree to use royalties on behalf of he ultimate purchaser and user, nor would it be reasonable to presume that the manufacturer would agree to pay such royalties out of its own pocket. Even if the manufacturer and the user were the same party, it would unreasonably strain the concept of the "willing" licensee to find that such party would agree to pay for a license to manufacture the molds, pay for the costs of manufacture, and further agree to pay a use royalty for each item produced by the molds, when a simple purchase of the molds with no use royalty attached would be far less troublesome and more economical.

Therefore, should it become necessary to engage in a reasonable royalty determination, such analysis would be better confined to a determination of a lump-sum royalty.

is appropriate in the present case, as plaintiffs acknowledge that they can present evidence of actual lost profits. As established earlier, there is no need to engage in such analysis where actual damages can be determined. See *Id.*; *Trell*, *supra*; *Hansen*, *supra*; *Panduit*, *supra*; *Foster*, *supra*. While the court in *Stickle* remanded the case for a determination of a reasonable royalty in the form of a lump-sum payment, this was because the patent holder was not in the business of selling the modified type of infringing machine at issue in that case. Therefore, "damages simply based on sales made by a competitor which, but for the infringement, would have been made by the patent holder" were not susceptible of determination. *Stickle*, *supra* at 1561. In the present case, the alleged patent-infringing molds are apparently virtual duplicates of the molds that plaintiffs manufacture and sell.

There is no showing or contention here that actual damages in the form of lost profits from sales of patented molds are indeterminable. Plaintiffs merely assert that a use royalty is their "preferred" measure of damages. As actual damages appear to be readily determinable in the present case, such constitute the appropriate measure of damages.

CONCLUSION

The court finds that a use royalty based on the number of items produced by the alleged patent-infringing molds is not an appropriate measure of damages under the undisputed facts of this case, and therefore grants summary judgment on

this aspect of plaintiffs' claim for damages in favor of defendants Philips.

IT IS SO ORDERED.

/s/
SAM H. BELL
U.S. DISTRICT JUDGE

THE DECISION ON RECONSIDERATION
Filed July 7, 1992

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF OHIO
EASTERN DIVISION

JOHN V. VON HOLDT, et al.	)	CASE NO. 89-CV-1209
	)	
Plaintiff	)	Judge Sam H. Bell
	)	
- vs -	)	
	)	*ORDER*
WENTWORTH MOULD & DIE CO., LTD. ,et al.	)	
	)	
Defendant	)	

Plaintiffs have filed a motion for reconsideration and a motion for clarification of this court's order of June 25, 1992, which granted defendants partial summary judgment on one of plaintiffs' alternative claims for damages. Defendants have filed responses in opposition to these motions.

The motion for reconsideration raises anew plaintiffs' previous arguments regarding why a use royalty is an appropriate measure of damages under a reasonable royalty analysis. In reviewing plaintiffs' request, the court believes it advisable to abide by its prior ruling: that a reasonable royalty analysis is unnecessary and inappropriate in the present case, since actual damages in the form of lost profits are ascertainable. Plaintiffs present no facts or argument to challenge this ruling; therefore, the motion for reconsideration is denied.

In their motion for clarification, plaintiffs state that they "would like to pursue damages as a running time-based reasonable royalty based upon cost savings to the user of the invention", and ask whether this court's prior order precludes them from so doing. It must be repeated that a reasonable royalty analysis is inappropriate in the present case. No argument of law or fact is presented to justify "cost savings" as the measure of damages, even if a reasonable royalty analysis were otherwise appropriate. In *Hansen v. Alpine Valley Ski Area, Inc.*, 718 F.2d 1075 (Fed. Cir. 1983), the court approved cost savings as the measure of damages under a reasonable royalty analysis, but only where other measures of damages, such as lost income to the patent hold or profits to the infringer, were not determinable. Such is not the case here. For these reasons, the court finds that plaintiffs may not pursue cost savings as a measure of damages in the present case.

IT IS SO ORDERED.

/s/

SAM H. BELL
U.S. DISTRICT JUDGE

EXCERPTS FROM THE JURY INSTRUCTIONS

. . . Once you have determined the amount of lost profits, if any, resulting from the infringement, your inquiry is not yet at an end. You must next determine the reasonable royalty which would have been received by the plaintiffs for the use of the patent made by the defendants during the period of infringement.

If you conclude that the amount represented by the reasonable royalty is greater than the amount represented by actual lost profits, then you must award the higher amount of the reasonable royalty.

A reasonable royalty is statutorily mandated to be the minimum permissible measure of damages wherein infringement has occurred.

Similarly, if [you] cannot ascertain the amount of lost profits, then you must award the reasonable royalty.

In other words, you must award at least a reasonable royalty, if you find the defendants liable for infringement.

In determining a reasonable royalty you must determine a royalty which would have been reached in a hypothetical negotiation between a willing licensor, such as von Holdt, and a willing licensee, such as Philips Container Company, as of the date of the infringement first occurred.

This means that if you find infringement has occurred, you must determine what royalty per mold von Holdt and Philips Container Company would have agreed upon assuming they had been willing to enter into a licensing agreement at the time the infringement began.

A reasonable royalty is the amount of money a free and willing patent owner would accept when desirous of licensing another to use his patent in turn for a royalty, and the

amount which a free and willing individual desiring to obtain a license to use the invention of the patent.

In determining the amount of reasonable royalty, you must assume both parties to the negotiation understood the patent to be valid and infringed.

The parties to this cause have presented a great deal of evidence to you concerning the reasonable royalty which would be applicable in this case. You must consider all of this evidence in your determination including the following:

First, any royalty action to be received by the plaintiffs for previous licensing of the patent.

Two, any royalties paid by Philips Container Company or any third parties for the use of other patents comparable to the von Holdt patent, and the nature of any such licenses as exclusive or non-exclusive.

Third, the established policy of the marketing program of von Holdt to maintain patent exclusivity by not licensing others to use the invention.

Four, the commercial relationship between a licensor and licensee.

Five, the effect the patented device will have in promoting sales of other products of licensee. That is Philips Container Company. The value of the invention to the licensor as a generator of sales of its products.

Six, the duration of the patent.

Seven, the established profitability of the product made of the patent, its commercial success and its current popularity.

Eight, the utility and advantages of the patented device over old methods or other means to accomplish the results, if there are any.

Nine, the nature of the patented invention.

Ten, the character of the commercial embodiment and the benefits to those who have used the invention.

Eleven, the extent to which the infringer has made use of the invention and any evidence tending to show the value of that use.

Twelve, that portion of the profit and of the lesser selling price which may be customary in this particular field or in comparable fields to use for the use of the invention.

Thirteen, that portion of the realized profit that should be credited to the invention as distinguished from non-patented elements of the product.

Fourteen, the manufacturing process of the business risk or any significant feature of improvement added by the infringer.

And fifteen, any opinion testimony of qualified experts.

These factors may lead to a determination of that amount which the hypothetical patent owner and the hypothetical licensee would agree to at the time the infringement began, had they both reasonably and voluntarily attempted to reach an agreement with respect to the valid and infringed patent.

Put another way, these factors may indicate the amount that the reasonable licensee would have paid and the reasonable patent owner would have accepted at the time the infringement began as a royalty to manufacture, sale, or use of a bucket mold embodying the patented invention. It is this amount we must calculate in order to determine the reasonable royalty applicable in this case.

As I have instructed you, if you find that a reasonable royalty on the infringing molds would be greater than the amount of the lost profits, then you should award the reasonable royalty.

In determining the issue of damage you should bear in mind that the law does not permit the jury to award any greater sum than the monetary loss which the plaintiff has suffered as a result of the defendant's infringement.

You may, however, find the reasonable royalty exceeds the amount of the defendants' actual profits from use of the patented devices.

In other words, you may find the amount of injury which has occurred to the defendants is greater than the amount of profit that defendants have made while causing the injury.

If under the court's instructions you should find the plaintiff is entitled to a verdict, then in fixing the amounts of your verdict you may not include or add to an otherwise just award, any sum for the purpose of punishing the defendants or to set an example.

If you find that a reasonable royalty is the appropriate measure of damages in this case, then you are bound to follow a ruling which the court has made in this case before the trial began. In particular, if you find that reasonable royalty is the appropriate measure of damages in this case, the court has ruled the appropriate measure of that reasonable royalty must be based upon a single lump-sum payment.

The fact that I have instructed you as to proper measure of damages should not be construed as intimating any view of the court as to which party is entitled to prevail in this case.

Instructions as to the measure of damages are given for your guidance in the event you find from the evidence in favor of plaintiffs. I have already instructed you that it is possible to find patent infringement in this case even though the infringement was not undertaken willfully or knowingly. However, I must now instruct you on what willful infringement for purposes of guiding future decisions that I may make in the case if warranted by the evidence. . . .

JUDGMENT OF THE COURT OF APPEALS
Filed March 23, 1994

Note: Pursuant to Fed. Cir. R. 47.6, this disposition is not citable as precedent. It is a public record. The disposition will appear in tables published periodically.

United States Court of Appeals for the Federal Circuit
93-1103, -1113

JOHN W. VON HOLDT
and PLAS-TOOL CO.,
Plaintiffs/Cross-Appellants,
v.
WENTWORTH MOULD & DIE CO., LTD.,
Defendant
and
TERRY PHILIPS,
Defendant-Appellant,
and
PHILIPS INDUSTRIES LIMITED PARTNERSHIP
dba PHILIPS CONTAINER COMPANY
Defendant.

Judgment

ON APPEAL from the United States District Court of the Northern District of Ohio

in CASE NO(S). 89-CV-1209

This CAUSE having been heard and considered, it is ORDERED and ADJUDGED:

AFFIRMED. *See* Fed. Cir. R. 36

Per curiam (NEWMAN and PLAGER, *Circuit Judges*, and COHN, *District Judge*)*.

ENTERED BY ORDER OF THE COURT

DATED MAR 23 1994

/s/
Francis X. Gindhart, Clerk

---

* The Honorable Avern Cohn, United States District Court for the Eastern District of Michigan, sitting by designation.

Supreme Court, U.S.
FILED
JUL 22 1994
OFFICE OF THE CLERK

No. 93-2060

IN THE

Supreme Court of the United States

OCTOBER TERM, 1993

TERRY PHILIPS,

Petitioner,

v.

JOHN W. VON HOLDT and PLAS TOOL COMPANY,

Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

RESPONDENTS' BRIEF IN OPPOSITION

DANIEL A. BOEHNEN
Counsel of Record
CHARLES F. PIGOTT, JR.
GRANTLAND G. DRUTCHAS
MARC S. COOPERMAN
ALLEGRETTI & WITCOFF, LTD.
10 South Wacker Drive
Suite 3000
Chicago, Illinois 60606
(312) 715-1000

Counsel for Respondents

July 25, 1994

Midwest Law Printing Co., Chicago 60611, (312) 321-0220

QUESTIONS PRESENTED

1. Should the "plain error" rule be applied in such a way as to entitle a loosing party to a new trial merely because a jury instruction was arguably inconsistent with a pre-trial ruling by the trial court, and notwithstanding the following considerations:

- The jury instruction in question was a correct statement of the law;
- The jury instruction in question was instructive with respect to evidence admitted into the record after the trial court's pre-trial ruling, without challenge or objection by the losing party;
- The jury instruction in question was prepared and affirmatively proposed by the losing party; and
- The jury instruction in question was subsequently clarified and reinforced by a response to a question from the jury during deliberation, where such response was also prepared and affirmatively proposed by the losing party?

2. Is it "plain error" for a trial court to give a jury instruction which is arguably inconsistent with a pre-trial ruling where evidence which was admitted later into the record shows that the pre-trial ruling was incorrect?

3. Is the handling of the plain error rule by the Federal Circuit Court of Appeals in conflict with the handling of that doctrine by the regional Courts of Appeals?

RULE 29.1 DISCLOSURE

Plas-Tool Company does not have a parent company. Neither Plas-Tool Company nor any of its subsidiary companies are publicly traded.

TABLE OF CONTENTS

	PAGE
QUESTIONS PRESENTED	i
RULE 29.1 DISCLOSURE	ii
TABLE OF AUTHORITIES	iv
STATEMENT OF THE CASE	1
ARGUMENT	4
1. The Pre-Trial Ruling on Partial Summary Judgment	4
2. The Final Jury Instructions, Responses to Jury Question, and Jury Verdict Form	6
3. The Plain Error Rule Does Not Apply to the Present Situation	9
4. The Federal Circuit Properly Handles the Plain Error Doctrine	12
CONCLUSION	14

TABLE OF AUTHORITIES

CASES	PAGE
Avondale Shipyards, Inc. v. Insured Lloyd's, 786 F.2d 1265 (5th Cir. 1986)	11
Biodex Corp. v. Loredan Biomedical, Inc., 946 F.2d 850 (Fed. Cir. 1991)	13
Georgia-Pacific Corp. v. United States Plywood Corp., 318 F. Supp. 1116 (S.D.N.Y. 1970), *modified and aff'd.*, 446 F.2d 295 (2d Cir. 1971), *cert. denied*, 404 U.S. 870 (1971)	6
Havee v. Belk, 775 F.2d 1209 (4th Cir. 1985)	13
Klein v. Sears Roebuck & Co., 773 F.2d 1421 (4th Cir. 1985)	13
Leddy v. Standard Drywall, Inc., 875 F.2d 383 (2d Cir. 1989)	11
Lummus Industries, Inc. v. D.M. & E. Corp., 862 F.2d 267 (Fed. Cir. 1988)	13
Modine Mfg. Co. v. Allen Group, Inc., 917 F.2d 538 (Fed. Cir.), *cert. denied*, 500 U.S. 918 (1991)	7
Stickle v. Heublein, Inc., 716 F.2d 1550 (Fed. Cir. 1983)	3-5
Syntex Pharm. Int'l. Ltd. v. K-Line Pharm. Ltd., 905 F.2d 1525 (Fed. Cir. 1990)	11
United States v. Horton, 622 F.2d 144 (5th Cir. 1980)	11

STATUTES

35 U.S.C. § 284 (1988) 6, 12

RULES

Fed. R. Civ. P. 51 ..... 7, 13

Fed. R. Civ. P. 60(b) 11

OTHER AUTHORITIES

6 Moore's Federal Practice ¶ 56.20[3.-4] (2nd ed. 1988) 11

No. 93-2060

IN THE

Supreme Court of the United States

OCTOBER TERM, 1993

TERRY PHILIPS,

Petitioner,

v.

JOHN W. VON HOLDT and PLAS TOOL COMPANY,

Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

RESPONDENTS' BRIEF IN OPPOSITION

STATEMENT OF THE CASE

By this petition, Philips seeks a new trial on an issue of damages in a patent infringement case. The jury found Philips guilty of willfully infringing von Holdt's patent on an innovative injection mold for making plastic buckets. That finding is not challenged, so Philips stands before this Court as an established willful infringer. The evidence showed that, prior to issuance of von Holdt's patent, Philips purchased two molds from von Holdt's company. After the von Holdt patent issued and von Holdt had raised the price on the (then) patented mold, Philips had competitors of von Holdt carefully measure and make

copies of the patented molds to within thousandths of an inch. Philips bought and used those infringing copy molds, reaping enormous financial benefits for his company. Damages were awarded in the amount of $7.14 million. All pertinent evidence was made of record without challenge or objection.

The trial judge denied all post-trial motions by Philips's trial counsel. The issues were subsequently fully briefed and argued to the Federal Circuit Court of Appeals. One of the joint defendants settled with von Holdt after the filing of appellate briefs, but prior to the appellate argument. That defendant is not participating in this petition. The Federal Circuit Court of Appeals affirmed the trial court's judgment, without opinion, only a few weeks after the oral argument.

As a basis for his present petition, Philips contends that a particular jury instruction was erroneous with respect to the possible determination of a reasonable royalty measure of damages. No serious question is presented as to whether the verdict award is consistent with the jury instructions or the evidence. Instead, the Philips's Appendix quotes "Excerpts From Jury Instructions" which Philips attacks as being inconsistent with a particular pre-trial ruling in the case.

There is no dispute that the trial court's jury instructions are totally consistent with established law in the patent field. Indeed, Philips's trial counsel jointly authored all of the jury instructions, together with von Holdt's counsel, and jointly proposed them to the trial court. Thus, Philips does not contend that the final jury instructions are contrary to established law on patent damages. Philips simply contends an instruction was inconsistent with a pre-trial ruling. In so contending, Philips desper-

ately ignores the factual evidence that was admitted into the record following the pretrial ruling without any challenge or objection from Philips, and which showed that the pretrial ruling was incorrect.

More specifically, three days before trial, the trial court granted Philips's motion for partial summary judgment, and held that damages could and should be based on a "lost profits" determination, not on a reasonable royalty determination. The trial court also ruled that, if a reasonable royalty was argued, it should be a reasonable royalty based on a lump sum determination, rather than an ongoing royalty. In so ruling, the trial court relied solely on the authority of *Stickle v. Heublein, Inc.*, 716 F.2d 1550 (Fed. Cir. 1983).

At trial, von Holdt presented substantial evidence of damages under both a lost profits theory and a reasonable royalty theory. Briefly, the evidence included admissions by Philips and testimony by von Holdt and von Holdt's experts with respect to the financial benefits of the patented invention, copies of license agreements between von Holdt and Philips with respect to other patented molds, and copies of license agreements between von Holdt and third parties pertaining to the same patent-in-suit as well as other similar patented inventions. All of this evidence related to the validity issues in suit as well as to the damages issues. In sum, this evidence showed that: (i) the patented invention-in-suit produced many millions of dollars of benefit to Philips's business; (ii) Philips had admitted to others that he wanted to use the infringing molds for the very purpose of gaining substantial financial benefit; (iii) other persons had paid rates to use the invention-in-suit which were as high or higher than the jury damage award in this case; and (iv) both Philips and others had previously licensed similar inven-

tions from von Holdt at rates which were as high or higher than the jury damage award in this case.

In the final analysis, the undisputed evidence of record in the case showed that von Holdt's actual damages might very well have exceeded the judgment under either a "lost profits" theory or a "reasonable royalty" theory. Thus, the jury's award was proper and beyond chalienge under either theory of damages. As a result, the Court of Appeals for the Federal Circuit, which authored the prior opinion in *Stickle v. Heublein*, affirmed the trial court's judgment and rejected Philips's arguments that the evidence and the jury instruction were inconsistent with the pre-trial ruling.

ARGUMENT

1. The Pre-Trial Ruling on Partial Summary Judgment

Philips's pre-trial Motion for Partial Summary Judgment asked that any damages awarded for patent infringement not be based on the extent of Philips's use of the infringing molds or on the value of the plastic buckets made using the molds. The trial court, erroneously granted Philips's pretrial motion relying solely on *Stickle v. Heublein, Inc.*, 716 F.2d 1550 (Fed. Cir. 1983), and noted that von Holdt had not submitted any evidence that persons in the field would be willing to pay a reasonable royalty based upon on-going use of the molds. The trial court concluded that, in the absence of such evidence, damages should be determined under a lost profits theory or, possibly, as lump sum royalty.

The pre-trial ruling on damages by the trial court became obsolete as the trial progressed. Von Holdt offered evidence at the trial showing that Philips enjoyed almost $14 million in savings through use of the infringing molds

to produce large quantities of plastic buckets. Evidence was also presented showing another agreement for sale of the same patented mold at rates as high or higher than the damages awarded in this case. The evidence also showed other license agreements between von Holdt, Philips, and other third parties for use of similar technology and inventions at rates as high or higher than the damages awarded in this case. There was no challenge or objection by Philips's trial counsel to any of that extensive evidence in the record. Clearly, Philips's trial counsel did not attempt to enforce the pre-trial ruling in order to avoid reversible error.

The *Stickle* case, relied on by the trial court, did not involve a pre-trial ruling. In that case, the Court of Appeals reversed a patent infringement damage award solely on the ground that there was no evidence in the trial record on appeal to support an award of royalty damages based on the extent of use of an infringing machine. *Stickle*, 716 F.2d at 562-63. The Federal Circuit observed in the *Stickle* case that there was no evidence indicating that the plaintiff had ever granted a use license, or that the defendant had ever accepted a use license; furthermore, in the extensive negotiations which actually took place between plaintiff and defendant, a use license was never discussed. *Id.*

Unlike the present situation, the *Stickle* decision was an appellate decision *after full trial* based on a total lack of evidence in the trial record to support a finding of reasonable royalty. By contrast, the trial judge in the present case ruled *before trial* that von Holdt should pursue damages under a lost profits theory, rather than a reasonable royalty, and that if a reasonable royalty was pursued, it should be based on a lump sum amount.

The trial court's pre-trial decision was erroneous. Philips's pre-trial arguments, which mischaracterized the

Stickle v. Heublein case, misled the trial court to that erroneous ruling. Von Holdt cross-appealed the erroneous pre-trial ruling, but agreed to waive the appeal if the Court of Appeals affirmed the trial court's final judgment, which it did.

2. The Final Jury Instructions, Responses to Jury Question, and Jury Verdict Form

The jury instructions, properly issued by the trial judge, were prepared and proposed by Philips's counsel jointly with von Holdt's counsel. The jury instructions were based directly on existing and established patent law, including 35 U.S.C. § 284, which provides that damages must "in no event be less than a reasonable royalty." Thus, von Holdt was entitled as a matter of law to present evidence of damages under both the lost profits theory and the reasonable royalty theory, and the jury was legally obligated to award damages under whichever theory produced the higher figure.

The jury instruction gave a legally correct explanation on how to determine the damages under the lost profits theory and the reasonable royalty theory. The relevant considerations under a reasonable royalty theory include evidence of the savings that result from using the invention, the patentee's licensing policy, and other license rates charged by the patentee or paid by either the defendant or third parties for similar inventions. *Georgia-Pacific Corp. v. United States Plywood Corp.*, 318 F. Supp. 1116, 1120 (S.D.N.Y. 1970), *modified and aff'd.*, 446 F.2d 295 (2nd Cir. 1971), *cert. denied*, 404 U.S. 870 (1971) (a seminal case on reasonable royalty in patent cases which has been endorsed by the Federal Circuit). Importantly, cost savings are not and were not presented as the measure of damages. Rather, cost savings are merely one factor in

what a reasonable licensor and licensee would consider and resolve in establishing a reasonable royalty. All of this law was clearly instructed to the jury. Indeed, the clarity of the law with respect to these considerations is the reason why the parties were able to fully agree and to jointly propose the jury instructions without any objections from Philips.

Philips not only proposed every instruction that was given, he also did not request a single instruction that was refused. Philips's failures in these regards preclude him under Rule 51, Fed.R.Civ.P., from challenging the jury instructions on appeal. *Modine Mfg. Co. v. Allen Group, Inc.*, 917 F.2d 538, 542 (Fed. Cir.), *cert. denied*, 500 U.S. 918 (1991).

The correctness of the trial court's jury instructions, as well as the jury's handling of the instructions and Philips's affirmative agreement with them, was subsequently reenforced by events that occurred during the jury's deliberations. After several hours of deliberation, the jury asked for a calculator, which they were given. Later, the jury asked whether Philips would be able to continue using the infringing molds after trial. Specifically, the jury's later question No. 4 read as follows:

> "Will the allegedly infringing molds be able to continue to be in operation if said molds are infringing?"

(App. 1). The wording of this question reveals a very careful and intelligent jury.[1]

---

[1] Indeed, even though the subject had never been discussed in front of the jury, the jury's question shows that they had put their finger on a key aspect of Philips's trial strategy. Namely, one of the reasons why Philips had sought the pre-trial ruling limiting

(Footnote continued on following page)

All counsel and the Court recognized at this time that the jury had *probably* found in favor of von Holdt on the issue of liability and was *probably* in the process of deciding the amount of damages. Moreover, counsel and the Court recognized that any response to the jury's question was directly related to the pretrial ruling which required that damages must be determined as single lump sum. That is, if the jury was told that Philips would be entitled to continue using the infringing molds, then the District Court would likely refuse a post-trial injunction, but the amount of damages awarded by the jury would presumably be higher, and vice versa. The Court told counsel to try to agree on a response to the jury, and von Holdt's counsel then told Philips's counsel that he could have his choice, either accepting a possible injunction with a lower damage award, or accepting a potentially higher judgment without injunction. Philips's counsel specifically chose the option of no possible injunction (accompanied by the risk of higher damage award). In a written response to the jury *formulated and proposed* by Philips's counsel in combination with von Holdt's counsel and signed by the trial judge, the jury was answered as follows:

> "Yes. The instructions at pp. 101-102 state that the Court has previously ruled in this case that the reasonable royalty, if applicable, must be determined as a single lump-sum payment. The

---

[2] *continued*
damages to a lump sum, rather than an on-going royalty, was that Philips's greatest fear was an injunction preventing him from further use of the infringing molds. All parties had recognized that, if the damage award was given in the form of lost profits or a lump sum royalty covering the useful life of the molds, then Philips would not be subject to an injunction after paying the damage award.

> effect of this ruling is that the molds can be used for the life of the molds, and thus the reasonable royalty, if applicable, should cover commensurate use of the molds."

(App. 1). Thus, all of the parties and the trial court expressly agreed that any reasonable royalty determination should be based upon "use of the molds" for the life of the molds, *id.*, so long as the damages were awarded in a single-lump payment, which they were.

It is worth emphasizing that the evidence and the instructions in the case support the jury's damage award under either a lost profits analysis or a reasonable royalty analysis. Philips's petition is based upon the position that the jury must have awarded a reasonable royalty using an approach that was inconsistent with the trial court's pre-trial ruling. That premise is incorrect. The record contains no basis for knowing whether the damage award was based upon a lost profits theory or a reasonable royalty theory. Significantly, Philips created this ambiguity. Plas Tool had proposed a jury verdict form that would have required the jury to specifically state whether damages were being awarded under a lost profits theory or a reasonable royalty theory. Philips objected to this verdict form, and the Court acted in accordance with Philips's objection. As a result of Philips's choice, the verdict form signed by the jury does not indicate which theory of damages formed the basis of the damage award.

3. The Plain Error Rule Does Not Apply to the Present Situation

Philips's reliance on the plain error rule as his basis for certiorari to this Court is seriously misplaced. There is *no* error here. The final jury instructions and the responses to the jury questions are *per se* correct. They

properly explain the general law in the field of patent damages. Philips does not dispute this.

Even if *some* error is arguably assumed, it is far from "plain." The only error alleged by Philips is that the instruction on reasonable royalty is arguably inconsistent with the pre-trial ruling that damages should preferably be awarded as lost profits. However, that is not error, and cannot justify a new trial for many reasons.

First, the pre-trial ruling expressly contemplated the possibility that the award of damages could be made under a reasonable royalty theory, provided the award was made in the form of a lump sum amount. In fact, the damage award was made in the form of a lump sum amount. Thus, the award is not inconsistent with the pre-trial ruling.

Second, even if the disputed instruction on reasonable royalty had never been given, Philips proposed (and the trial court gave) other instructions to the jury that would have produced the same result. *See, e.g.*, the trial court's response to jury question No. 4 attached in the Appendix at App. 1 and discussed above. Never, at any stage of this dispute, has Philips challenged the propriety of the response to jury question No. 4, and Philips has not done so in his petition. In view of the unchallenged correctness of the response to jury question No. 4, there cannot be any error in the underlying instruction on reasonable royalty.

Third, the final instructions to the jury contained other explicit instructions regarding the trial court's pre-trial ruling, including the impact of that ruling on the case and the manner in which the jury was to account for that ruling in their damage determination. (App. 1). If there was any place at which an inconsistency might arise between

the final instructions and the pre-trial ruling, that was the place. However, Philips has not and does not challenge that instruction. As a result, that instruction must be correct. This shows that Philips is merely trying to nit-pick isolated words in disparate instructions by the trial court.

Fourth, assuming that the jury instruction on reasonable royalty was contrary to the trial court's pre-trial order, that pre-trial order was not final. *Syntex Pharm. Int'l. Ltd. v. K-Line Pharm. Ltd.*, 905 F.2d 1525, 1526 (Fed. Cir. 1990). The District Court was free—indeed obligated—to reconsider the pre-trial order when the evidence and justice demanded. Such a ruling on partial summary judgment is not immutable and has no *res judicata* effect:

> Not only is such an order not appealable, but it remains within the plenary power of the district court to revise or set aside in its sound discretion without any necessity to meet the requirements of Fed. R. Civ. P. 60(b). . . .

Avondale Shipyards, Inc. v. Insured Lloyd's, 786 F.2d 1265, 1269 (5th Cir. 1986); *see also Leddy v. Standard Drywall, Inc.*, 875 F.2d 383, 386-87 (2d Cir. 1989) (district court did not commit reversible error in failing to follow its partial summary judgment order providing defendants had opportunity to present countervailing evidence); *United States v. Horton*, 622 F.2d 144, 148 (5th Cir. 1980) (decision on partial summary judgment has no *res judicata* effect and can be reversed *sua sponte*); *see also* 6 Moore's Federal Practice ¶ 56.20[3.-4] (2nd ed. 1988).

Fifth, a great deal of new evidence was presented to the jury that was not before the trial court at the time of ruling on the partial summary judgment motion. The trial court specifically directed counsel to provide proposed jury instructions that were based on the evidence which was submitted during trial. Philips did not object to the

evidence, nor to the proposed instructions, nor to von Holdt's closing arguments about how the evidence related to damages.

Indeed, there was no error in these rulings at trial. It was the pre-trial ruling which was erroneous. The pre-trial ruling tried to impede von Holdt from presenting an alternative theory of damage under a reasonable royalty approach, which is a statutory right of all patentees. 35 U.S.C. § 284. Von Holdt appealed this erroneous pre-trial ruling, and the issue was fully briefed before the Court of Appeals, but von Holdt waived the appeal in the event that the Court of Appeals affirmed the final judgment below, which it did.

The foregoing fully establishes there is no basis for Philips's petition for further review. There was no error that prejudiced Philips—certainly no "plain error." There is no reason why Philips should be granted a new trial, and this Court should not devote its limited resources to this petition.

4. The Federal Circuit Properly Handles the Plain Error Doctrine

One of the most outrageous arguments made by Philips in his petition for certiorari is the argument that, since he has not found any case by the Federal Circuit Court of Appeals applying the plain error doctrine, "*it must be assumed that the Federal Circuit refuses to follow this doctrine.*" *See* the petition at page 10, emphasis added. In fact, Philips's research is faulty; his logic is a *non sequitur*; and his conclusion is incorrect.

Legal research shows clearly that the Federal Circuit Court of Appeals recognizes the plain error doctrine. For example, the Court noted in one case as follows:

> "Although [the losing parties] sought to reargue the facts, the only question before us is whether the instruction was so plainly contrary to law that, although not objected as Rule 51 requires, a new trial must nevertheless be had."

Lummus Industries, Inc. v. D.M. & E. Corp., 862 F.2d 267, 272 (Fed. Cir. 1988) (analyzing the position of a losing defendant in a patent infringement case who had appealed, charging that a jury instruction was erroneous, even though he had failed to object to the instruction at trial).

Since the plain error doctrine arises as a purely procedural matter and is not unique to patent law or to the administration of patent law cases, the Federal Circuit Court of Appeals does *not* create its own independent rules for application of the plain error rule in patent cases. Instead, the Federal Circuit follows the law of the regional Court of Appeals which has geographical jurisdiction over the respective trial court from which the appeal arises. *See, e.g., Lummus*, 862 F.2d at 270 (discussing Fourth Circuit cases which deal with the plain error doctrine, namely, *Havee v. Belk*, 775 F.2d 1209, 1220 (4th Cir. 1985) and *Klein v. Sears Roebuck & Co.*, 773 F.2d 1421, 1426 (4th Cir. 1985)). The Federal Circuit has a long established practice providing that, with respect to matters of a purely procedural nature, the Federal Circuit will follow the procedure of the regional Court of Appeals in which the trial court sits. *Biodex Corp. v. Loredan Biomedical, Inc.*, 946 F.2d 850, 855 (Fed. Cir. 1991). The Federal Circuit has done this as an accommodation to the trial courts, recognizing that they will be most familiar with the procedure of their regional appellate court.

There is no basis for Philips to argue that the Federal Circuit refuses to apply the plain error doctrine. Indeed,

the application of this doctrine was fully briefed and argued during the appeal below. At no point in time did anyone—either von Holdt or the appellate judges—ever dispute the recognition of that doctrine by that Court. The only issue, which Philips simply does not want to accept, is that the plain error doctrine fails to help Philips on the facts of this particular case.

CONCLUSION

The Federal Circuit Court of Appeals has an established history of applying the plain error rule as the rule is applied by the regional Courts of Appeals. There is no issue or dispute on this point for this Court to resolve.

Philips's sole basis for a new trial rests on a perceived inconsistency between one jury instruction and the trial court's pre-trial ruling on Philips's Motion for Partial Summary Judgment on damages. However, Philips's trial counsel made no attempt to enforce the pre-trial ruling at trial. Extensive evidence was presented at trial, without objection, which was not before the trial court at the time of the pre-trial ruling. Thereafter, the court instructed the jury to consider the evidence of record at the trial, again without objection by Philips's trial counsel, who jointly prepared and proposed all such instructions. That is not improper. Indeed, it would have been reversible error if von Holdt had been precluded from presenting such evidence or if the jury had not been instructed on such evidence. Thus, the petition for a writ of certiorari should be denied.

Respectfully submitted,

DANIEL A. BOEHNEN
Counsel of Record
CHARLES F. PIGOTT, JR.
GRANTLAND G. DRUTCHAS
MARC S. COOPERMAN
ALLEGRETTI & WITCOFF, LTD.
10 South Wacker Drive
Suite 3000
Chicago, Illinois 60606
(312) 715-1000
Counsel for Respondents

July 25, 1994

JUROR NOTE NO. 4

(Located In The Record Below At A 2243)

DEAR JUDGE BELL:

WILL THE ALLEDGEDLY [SIC] INFRINGED MOLDS BE ABLE TO CONTINUE TO BE IN OPERATION IF SAID MOLDS ARE INFRINGED?

W Paulus
7/15/92

RESPONSE TO JUROR NOTE NO. 4

(Located In The Record Below At A 2243)

YES. THE INSTRUCTIONS AT PP. 101-102 STATE THAT THE COURT HAS PREVIOUSLY RULED IN THIS CASE THAT THE REASONABLE ROYALTY, IF APPLICABLE, MUST BE DETERMINED AS A SINGLE LUMP-SUM PAYMENT. THE EFFECT OF THIS RULING IS THAT THE MOLDS CAN BE USED FOR THE LIFE OF THE MOLDS, AND THUS THE REASONABLE ROYALTY, IF APPLICABLE, SHOULD COVER COMMENSURATE USE OF THE MOLDS.

JUDGE SAM H. BELL

INSTRUCTION TO JURY

(Located In The Record Below At A 1824-15)

If you find that a reasonable royalty is the appropriate measure of damages in this case, then you are bound to follow a ruling which the court made in this case before the trial began. In particular, if you find that a reasonable royalty is the appropriate measure of damages in this case, the court has ruled the appropriate measure of that reasonable royalty must be based upon a single lump-sum payment.